

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Property Tax Exchanges Resulting From Jurisdictional Changes

**Policy
Number**

B-45

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Purpose

To establish guidelines for negotiating the exchange of property tax when exchanges are warranted as a result of jurisdictional changes.

Background

Revenue and Taxation (R&T) Code Section 99 provides that before most jurisdictional changes (city incorporation, district formations, annexations, detachments, etc.) can occur, a determination must be made concerning the amount of property tax to be exchanged between the affected local governments.

In the event of an application or a resolution pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (commencing with Section 56000 of the Government Code), the Local Agency Formation Commission (LAFCO) has the responsibility for determining the amount of property tax to be exchanged.

Before a jurisdictional change (other than a city incorporation or a district formation) can become effective, those agencies whose services areas or service responsibilities would be altered by such change shall determine the amount of property tax to be exchanged between them. In the event that such a jurisdictional change would affect the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenue. Prior to entering such negotiations, the Board of Supervisors (Board) shall consult with the affected district.

Pursuant to R&T Code Section 99.01, in the case of a jurisdictional change that will result in a special district providing one or more services to an area where those services have not been previously provided by any local agency, the exchange of property tax among those local agencies shall be limited to property tax revenue from the annual tax increment generated in the area subject to the jurisdictional change and attributable to those local agencies. Any special district affected by the jurisdictional change may negotiate on its own behalf, if it so chooses.

The negotiated property tax exchange, even when zero, must be documented by resolution of the County. If a special district involved in the negotiation fails to adopt a resolution providing for the exchange of property tax revenue, the board of supervisors of the county in the area subject to the jurisdictional change shall determine the exchange of property tax revenue for that special district.

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Policy

It is the policy of the Board of Supervisors that:

1. Acting on behalf of the Chief Administrative Officer, the Department of Planning & Development Services shall represent the County in negotiations to determine the amount of property tax to be exchanged as a result of jurisdictional changes.
2. When negotiating or establishing the amount of property tax to be exchanged, the County shall attempt to maintain an equitable balance between transfers of cost and transfers of revenue. Generally, jurisdictional changes which result in the introduction of a new service to an area will not involve a property tax exchange since no existing agency will realize a reduction in cost. In annexations to a fire district, the County will consider the appropriateness of a property tax transfer.
3. Adoption of a Board resolution establishing the negotiated property tax exchange does not necessarily imply Board support of the jurisdictional change proposal.
4. In accordance with Board Policy B-29, all County costs incurred in the negotiation and adoption of property tax exchanges will be paid by the applicant by advance deposit increments. Except for those applications where the County is the applicant, the County shall not incur any non-reimbursable expenses for processing and administering applicant-initiated exchanges.

Process

1. When an application for a jurisdictional change is submitted, the agency receiving the application shall notify the Assessor, the Auditor and Controller, Property Tax Services Division (Auditor Property Tax Services) and the Department of Planning & Development Services (PDS) by forwarding a copy of the application to those offices.
2. The Assessor shall prepare a report listing the parcels, their current market assessed value and the taxing agencies within the area proposed for jurisdictional change and forward a copy of that report with a map of the area to the Auditor Property Tax Services and to PDS.
3. The Auditor Property Tax Services shall determine the amount of prior year property tax received by each taxing agency within the area proposed for jurisdictional change and submit this information to PDS.
4. PDS shall negotiate, in accordance with this policy, the amount of property tax revenue

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if any, to be exchanged between jurisdictions or, where appropriate, shall negotiate with jurisdictions whose service responsibilities are affected, for an equitable exchange of property tax. The Board of Supervisors must approve all proposed exchanges by resolution.

5. In the event property tax negotiations between PDS and one or more affected jurisdictions reaches impasse, the Department will advise the Board of the situation and seek additional guidelines or direction.

6. Master tax exchange resolutions will be used for routine cases to save administrative costs. For other cases, PDS shall docket a Board resolution, which is approved as to form and legality by County Counsel, agreeing to accept the negotiated exchange of property tax revenue.

7. A copy of the Board resolution will be sent to the affected agencies, the Auditor Property Tax Services, and to LAFCO.

Sunset Date

This policy will be reviewed for continuance by 12-31-2028.

References

Revenue & Taxation Code Section 99

Board Policy I-47, Detachments from Special Districts

Board Policy I-55, Annexation/Incorporation Policy

Board Policy B-29, Fees, Grants, Revenue Contracts - Department Responsibility for Cost Recovery

Board Action

10-30-79 (27)

11-23-82 (12)

11-6-84 (18)

1-31-89 (28)

11-29-94 (40)

08-7-02 (5)

09-25-12 (11)

10-28-14 (21)

10-29-19 (26)

10-19-21 (19)

CAO Reference

1. Auditor and Controller

2. Department of Planning & Development Services